Radio Business Report™

Voice Of The Radio Broadcasting Industry®

April 8, 2002

Volume 19, Issue 13

WLS to drop Dr. Laura for Hannity

Political talker Hannity of ABC Radio Networks' will be on 9-Midnight.

NetRadio shareholders vote to stop

Streaming format provider NetRadio.com, which has been offline for months, is dissolving, said its shareholders in a vote 4/2.

TRN Michael Savage to clear WABC

Michael Savage will be live on WABC-AM NY in a multi-year deal. He now has 315 affiliates.

Eddie Fritts made $908K in 2000

The National Journal's recent review of salaries for Washington trade association heads says NAB CEO Eddie Fritts earned $908,552; The National Cable & Telecommunication Association (NCTA) CEO Robert Sachs was paid $1M; and RIAA CEO Hillary Rosen $918,750.

Entercom bonuses revealed

In Entercom's annual proxy filing with the SEC, Chairman/CEO Joe Field's salary remained at $600K, but the bonus dropped from $400K to $267K. Pres./COO David Field's salary remained at $450K; his bonus was down from $350K to $267K. EVP/CFO Stephen Fisher got $300K salary and a $175K bonus (down from $200K).

Record Industry to report biggest loss in history

The worldwide record business is about to issue its annual report 4/16. Analysts say it will show a 10% drop in value, to $33B. It's the worst drop for one year since they've been keeping records.

XM exceeds subscriber expectations

XM Satellite Radio (O:XMSR) announced 4/1 it has exceeded most Wall Street analyst expectations for first quarter subscriber growth. "XM added over 48,000 subscribers in the first quarter, exceeding its target by 15%, outpacing most Wall Street analyst expectations," said XM President and CEO Hugh Panero.

S&P lowers outlook for CCU

Standard & Poor's said (3/28) it had revised its outlook for Clear Channel Communications (N:CCU) from "Stable" to "Negative." However, S&P affirmed its BBB- minus rating for CCU's $9.5B in corporate debt.

ChainCast Networks gets $4M

ChainCast Networks announced 4/2 it has secured an additional $4M in funding, through GIC Special Investments. The money will reportedly be used to add new services and software for streaming audio and video.

Silent Auction raises $25K

The RAB's annual Radio Wayne Silent Auction raised $25,602 this year at the RAB2002 conference. The auction, honoring the late radio exec "Radio Wayne" Cornils, benefits The Broadcasters' Foundation and The Roaring Fork Conservancy in Colorado.

Sirius stock rose on rollout speed up

Shares of Sirius Satellite Radio (O:SIRI) rose 14% Wednesday (3/27) to $5.06 after CEO Joe Clayton announced that the company was accelerating its nationwide rollout and had renegotiated its credit agreement with Lehman Bros.

Eight is not enough

Mel Karmazin

The final date for comments on the FCC's look into "Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets" was 3/27. Many current radio group owners weighed in, defending the current rules against onslaughts from a wide variety of groups and individuals who would like to see consolidation halted and if possible, reversed.

Viacom (N:VIA), owner and operator of the Infinity Radio group, is taking a more aggressive stance. It argues in a lengthy tome that there should be no ownership caps whatsoever.

Taking the Commission to task for not undertaking bienneial reviews of local ownership rules in 1998 or 2000 as required by the 1996 Telecommunications Act, Infinity's legal team, led by **Steven A. Lerman** of Leventhal, Senter & Lerman PLLC wrote, "The Commission will ultimately find as a result of this review that the local radio ownership rules have outlived any purpose that they once had, and that they should be repealed."

Viacom headed by president **Mel Karmazin**, finds a certain amount of backing for its position in recent U.S. Court of Appeals decisions which have remanded both the 35% national television ownership cap and the eight-voices local television duopoly rule back to the FCC for better justification or, failing that, revision. "The burden of proving the continued necessity of the ownership rules falls squarely upon those supporting continued regulation. In other words, the statutory presumption favors deregulation," argues Infinity.

More: "As a result of...dramatic changes in the marketplace, broadcasting, particularly radio broadcasting, no longer holds a dominant position in the exchange of news, information and opinion. There is no current dysfunction in the marketplace of ideas that requires Commission intervention—i.e., there is no 'scarcity' of opportunities for citizens to obtain information from a variety of sources." And "Absent the scarcity justification, there can be no basis for singling out the broadcast media for second-class status under the First Amendment."

Infinity notes that the DOJ and FTC are all that is required to assure fair competition in the media marketplace, and that program diversity has increased along with ownership consolidation.

See related stories on Clear Channel, others in this issue.—DS

DSC invites advertising venues to belly up

The Distilled Spirits Council of the US (DISCUS), because of NBC-TV's recent decision to reverse its December stand on accepting hard alcohol ads (*RBR* 2/25, cover) said it intends to relaunch a massive lobbying effort that began in '96 to encourage radio and TV stations to accept its members' advertising.

Peter Cressy, DISCUS President/CEO said the association has set up a booth at NAB2002 in Las Vegas and bought commercial time on hotel television systems to get the message out that there is nothing wrong with airing liquor ads.

Said Cressy, "The nation's leading distillers continue to stand by their 68 year commitment to high advertising standards, regardless of the medium. A full public discussion regarding television advertising for beer, wine and distilled spirits is warranted to ensure high standards and fair and equal treatment."—CM

***RBR* observation**: Distillers are said to spend over $400M a year on advertising. That's a big chunk of change for anyone who can withstand the political heat. **Gary Fries** told the RAB Sales and Management Conference last February that the distilled spirit category could easily spell $100M for radio—the same amount spent by beer and wine companies (RBR 2/18, p.5). Handled properly by reputable radio companies, these ads could actually heighten public awareness about the proper use of alcoholic beverages—the NBC policy of requiring such messages was right on target. Bottom line: Distillers manufacture a legal product, and the First Amendment should be enough to protect their right to talk about it over the airwaves. NBC at least opened the door—maybe it's time for a responsible radio industry to walk through it.—DS

Myers stands firm on pessimism

If you think that **Jack Myers** is feeling foolish for having predicted that ad spending in the US will drop again this year (*RBR* 1/14, p. 8), you're wrong. "While first and second quarter business has been stronger than anticipated, the overall media economy continues to bounce along the bottom," Myers said last week. "There are no firm indications that 2002 media spending will significantly outpace 2001's depressed levels."

Myers thinks media companies have gotten "overly optimistic," based on anecdotal evidence that demand is picking up. Buy Myers says the senior media buyers he's been talking to say advertisers are still being very conservative about budgets.

Noting that several Wall Street analysts have revised upward their projections for ad spending on various media this year, Myers says, "I'm not convinced. In fact, media sellers should be concerned that the general economy could quickly turn negative again based on a number of matters."—JM

Clear Channel defends consolidation

Radio's leading consolidator, Clear Channel (N:CCU) has, to the surprise of nobody, come to the defense of the practice. CCU does not go as far as Infinity, which proposes elimination of local caps. However, through attorneys from Wiley, Rein & Fielding, LLP, it wrote, "...the Commission must either leave....numerical limits, as already incorporated in its rules, as the sole regulation governing local radio ownership or relax those limits further.

"Empirical data...demonstrate that the Commission's concerns about competition in more consolidated local radio markets are misplaced, as the average change in radio advertising prices is actually lower in markets that have experienced greater consolidation," argues CCU.

CCU also cites a study which shows that format diversity increases as the number of owners decreases. (This corroborates *RBR*'s own studies, which have indicated increasing variety in format usage for the past several years.)

CCU Radio Chairman/CEO **Randy Michaels** contributed a page to CCU's filing, noting that decisions on news and public affairs programming are at the complete discretion of the local manager in each of the company's markets, dispelling the notion that the company had reduced its editorial slant to one monolithic corporate viewpoint. "In no case does Clear Channel corporate management have a role in determining the content of news and public affairs programming aired on its stations," he wrote.

Clear Channel also submitted a chart showing the percent of revenues controlled by the top ten companies in various media companies. Out of ten categories, radio came in dead last.

See related stories on Infinity, others in this issue.—DS

Sector	Holdings	Share
Movie studios	$32.6B/rev	99%
DBS	16.2M subs	95%
Theme parks	$10.3B/rev	93%
Cable systems	60.5M subs	89%
Outdoor	$1B/rev	85%
Web sites	146 wkly hits	76%
Movie theaters	20,600 scrns	57%
TV stations	$15.8B/rev	55%
Newspapers	26.7M circ	48%
Radio	2,000 stns	44%

Sources: OAAA, NATO, NAA, IAB, Wachovia Securites

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RBR and TVBR expand sales force

Veteran radio and print sales executive **David Frankel** has joined *RBR* and *TVBR* as a Sales Representative based in Brookfield, CT. He will be serving clients throughout the nation.

"David's experience will be invaluable as we continue to build our newest publication, *Television Business Report*," said **Ken Lee**, Associate Publisher and General Manager.

Frankel has headed his own company, Frankel Media Sales, since 1991. Prior to that, he held sales management positions with several publications, including *Broadcast Engineering* and *Broadcasting Magazine*. His resume also includes radio sales positions with the Mutual Broadcasting System and WPRO-AM & FM Providence, RI.

RADIO NEWS®

Rein in consolidation

The National Association of Black Owned Broadcasters claims that consolidation has led to a decrease in the number of minority owners. Stopping short of calling for a decrease in local station ownership caps, NABOB calls for the FCC to lower its threshold for "red-flagging" proposed station transactions, subjecting more deals to increased scrutiny. Specifically, it wants the FCC's 50/70 market share threshold (which refers to the audience and revenue share of a market's top two owners) down to 40/60.

It also wants to eliminate spin-off waivers for multi-station transactions, forcing properties over the current legal limit to be sold immediately. It also calls for the use of Arbitron to determine market definitions and for the return of minority tax certificates.

Public interest group Americans for Radio Diversity argues that local station ownership is preferable to non-local corporate ownership, and the FCC should sieze the "public interest" language in the 1996 Telecommunications Act to promote this.—DS

Congresswoman opposes CARP Panel recommendations

RAIN (www.kurthanson.com) has a copy of a 3/13 letter from Congresswoman **Patsy Mink** (D-HI), dated 3/13, to the General Counsel of the Library of Congress which calls the CARP Panel decision (*RBR* 2/25. P.2) on webcasting royalties "unduly arbitrary and biased," which would stop the industry "dead in its tracks."

From the letter: "The proposed fee structure lists $.0014 per song played, per listener to the station. Let us assume a webcaster has only one listener who is tuned in 24 hours a day all year long and 15 songs are played per hour, it will cost the webcaster roughly $184 per year for one listener. Do traditional radio stations pay similar rates for broadcasting to their audiences? Do stations also pay fees for ephemeral reproductions as webcasters will be required to do?"—CM

Move to Iowa could get station into Lake Charles

KJEF-FM, like its AM sister KJEF-AM, is located in Jennings, LA, almost exactly at the I-10 halfway point between Lafayette, LA and Lake Charles, LA. The two burgs, both home to Arbitron survey operations, are about 60 miles apart.

Owner Apex Broadcasting has asked the FCC to allow to move the FM all the way to Iowa—Iowa, LA, that is—which is located 20 miles to the west and a bare ten miles out of the Lake Charles municipal area. It would remain a Class C2 on 92.9 mHz.

KJEF-FM was listed above the line in the Fall 2001 Lake Charles Arbitron report. The station's Country offerings, which had been pulling 12+ shares within the range of 1.5 to 2.6 over a two-year span, surged to 4.2 this time around.

Comments on this proposal are being accepted by the Commission.—DS

Binghamton, NY family suing CCU over Britney Spears hoax

A Binghamton, NY family has filed last week a whopping $1.2B lawsuit nearly two years after **Susan Santodonato** died a day after falling in the parking lot of Clear Channel's WMRV-FM radio promotion that advertised the appearance of Pop star **Britney Spears**. The event turned out to be a hoax

The lawsuit was filed against the radio station, Clear Channel and Visions Federal Credit Union that leased property to the radio station.

The 37-year-old Santodonato, mother of three, died the day after going to the promotion. She and her then-10-year-old daughter were caught that evening in a crowd of about 100 to 150 people when Santodonato was pushed and/or fell, striking her head on a garage door handle while she waited for the singer to appear at a doorway, the lawsuit indicates. Husband **Paul Santodonato** claims that the radio station and its owners acted with negligence, which led to the death of his wife. Damages are being sought for the pain and suffering of Santodonato and her family, as well as compensation for her loss to them.

The 63-page suit contains 45 separate causes of action, some seeking damages of $10M, others seeking damages of $10M plus punitive damages of $50M.—CM

Ginsburgs settle insider trading charges with SEC

On 3/30, Judge **Kenneth Ryskamp** of the US District Court for the Southern District of Florida, entered final judgments on **Mark** and **Jordan Ginsburg**. The two settled their 1999 SEC allegations against them for $3.69M and $1.06M, respectively.

Both Florida residents settled the allegations without admitting or denying them. The settlements include profits, fines and interest made from trading stock in EZ Communications after its 8/5/96 acquisition by American Radio Systems for $655M. Both were accused of profiting close to $1.08M in that deal.

Washington Beat

WESL unable to weasel out of $10K fine

WESL-AM, which beams into St. Louis from the Illinois side of the Mississippi out of East St. Louis, failed to allow the public to inspect its public inspection file, and will have to cough up $10K as a result.

Three individuals asked to see the file 7/2/01 and 7/3/01, and although the station said the file was in order and on the premises, the individuals were denied access, apparently because they "did not ask for any specific materials," according to the stations response to the FCC.

The FCC noted that the failure to ask for specifics was entirely irrelevant. All the people needed to do was ask to see the file—they do not need to state a reason—and the station is obliged to make it available immediately.

The baseline cost for this violation is $10K.

***RBR* observation**: Perhaps the station will be pleased that the FCC treated this as one incident and did not instead charge the station by the day, which could possibly have resulted in doubling of the fine.—DS

Tale of the tape costs CCU $6K

In the Evansville, IN market, Clear Channel's (N:CCU) WGBF-FM Henderson KY has gotten the company in a small amount of hot water. It's air talent **Turner Watson** called **Craig Jackson Shell**, a counterpart at WSTO-FM Owensboro, KY, part of the Brill Media cluster, taped the conversation, and "later broadcast edited portions of their conversation for the purpose of ridiculing [Shell]."

Clear Channel has confessed to all aspects of the crime.

This infraction normally carries a pricetag of $4K. The FCC noted that it had recently sanctioned CCU for a similar offense, however, and has jacked the fine up to $6K.

***RBR* observation**: Stockholders take note: The FCC release includes provisions which the fined entity must follow if it tries to duck the fine on grounds of inability to pay. If Clear Channel begins following these steps, it may be time (actually, it will probably be too late) to get out of the stock.—DS

RBR Stats - Top 25 Radio Groups

Rank	Group	Symbol	Stns	Rev ($000)
1	Clear Channel	N:CCU	1,231	3,256,482
2	Infinity	N:VIA	183	2,092,050
3	Cox	N:CXR	81	428,000
4	Entercom	N:ETM	104	408,075
5	ABC	N:DIS	58	401,700
6	Citadel	—	205	313,360
7	Radio One	O:ROIA	64	287,097
8	Emmis	O:EMMS	21	258,900
9	Cumulus	O:CMLS	243	253,035
10	Hispanic	N:HSP	55	251,600
11	Susquehanna	—	31	220,900
12	Bonneville	—	20	188,750
13	Salem	O:SALM	83	135,975
14	Greater Media	—	18	135,925
15	Spanish	O:SBSA	23	127,650
16	Jefferson-Pilot	N:JP	17	125,250
17	Beasley	O:BBGI	43	115,650
18	Saga	A:SGA	60	100,075
19	Journal	—	36	69,225
20	Entravision	N:EVC	53	63,950
21	Regent	O:RGCI	61	63,625
22	Sandusky	—	10	58,200
23	Inner City	—	17	56,975
24	NextMedia	—	56	48,725
25	Lotus	—	24	45,900

Source: BIA Financial Network

Deutsche Bank's superior performance sends a powerful signal

AT&T Broadband
$72 billion
AT&T Broadband Merger with Comcast Corporation
Financial Advisor
Pending

ECHOSTAR
$27.4 billion
Merger with Hughes Electronics Corporation
Financial Advisor
Pending

Emmis Communications
$123.3 million
Block Trade
Sole Book Manager
March 2002

ENTERCOM
$206.3 million
Follow-On Offering
Joint Book Manager
February 2002

ENTERCOM
$150 million
Senior Notes Offering
Joint Book Manager
February 2002

ECHOSTAR
$1.5 billion
Sale of Equity Stake to Vivendi Universal
Financial Advisor
January 2002

PanAmSat
$800 million
Senior Notes Offering
Co-Lead Manager
January 2002

ECHOSTAR
$700 million
Senior Notes Offering
Joint Book Manager
December 2001

SBG Sinclair Broadcast Group
$310 million
Senior Notes Offering
Joint Book Manager
December 2001

Young Broadcasting Inc
$250 million
Senior Notes Offering
Joint Book Manager
December 2001

SES GLOBAL
$4.3 billion
Acquisition of GE Americom
Financial Advisor
November 2001

ECHOSTAR
$5.5 billion
Bridge Loan Financing
Joint Lead Arranger
October 2001

ClearChannel
$372.6 million
9,200,000 Shares of Lamar Advertising Company Registered Spot Secondary Offering
Sole Book Manager
June 2001

Liberty Media Corporation
$116.9 million
3,996,395 Shares of Emmis Communications Corporation
Sole Book Manager
May 2001

Hearst-Argyle Television, Inc.
$160 million
Radio for TV swap with Emmis Communications
Financial Advisor
March 2001

infinity
$13.6 billion
Sale of all Outstanding Class A Shares to Viacom, Inc.
Financial Advisor
February 2001

am-fm
$23.5 billion
Merger with Clear Channel Communications, Inc.
Financial Advisor
August 2000

Radio One
$1.3 billion
Acquisition of 12 radio stations from Clear Channel Communications, Inc.
Financial Advisor
August 2000

SBG Sinclair Broadcast Group
$825 million
Sale of 46 of its radio stations to Entercom Communications Corp.
Financial Advisor
August 2000

ClearChannel
$1 billion
FRNs of 2002
7.875% due 2005
Co-Manager
June 2000

ClearChannel
€650 million
Senior Notes Offering
6.5% due 2005
Joint Lead Manager
June 2000

Young Broadcasting Inc
$800 million
Senior Credit Facility
Lead Agent
June 2000

outdoor systems
$8.6 billion
Sale to Infinity Broadcasting Corporation
Financial Advisor
December 1999

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The SEC charged that the then Evergreen Media CEO (now DG Systems Chairman) **Scott Ginsburg** supplied insider information to his brother about EZ's sale before it occurred. His brother told father Jordan and they purchased a total of 73,800 EZ shares. The price of EZ shares had closed up 30% over the prior day's closing. In that day, he SEC says Mark and Jordan had profits of $664K and $412,875, respectively.

The SEC also claims that Scott Ginsburg tipped his brother off about Evergreen's pending '97 acquisition of Katz Media. Mark had bought 150,000 Katz shares and earned a profit of $729K.

In the next round of SEC claims, Bloomberg is reporting when Scott Ginsburg appears at a hearing 4/8 in West Palm Beach, he will contest charges that he passed insider-trading information to his brother and father.—CM

XM CFO Stubblefield departs

XM Satellite Radio (O:XMSR) announced 4/29 CFO Heinz Stubblefield, who's been with the company since '98 has left to become CFO of Arlington, VA-based AHL Services, a provider of outsourced marketing and staffing services. XM Treasurer Greg Cole has stepped in as acting CFO until a replacement for is named.

TRN launching Rusty Humphries to 50 affils

Talk Radio Network is launching "The **Rusty Humphries** Show," 7/4 to 50+ affiliates. Humphries, 36, is the #1 syndicated personality for Citadel Communications. The agreement was signed 4/1. The show airs M-F 2-4P PT, just before **Michael Savage**. Humphries flags from KOH-AM Reno and pulls and 8.0 share P12+ there. Other affiliates include KXL-AM Portland, OR and WLOS-AM Portland, ME.

"It's News/Talk, but it's really funny. It's like FM energy with AM content. Rusty's national weekend show, 'Saturday Night America' has grown quickly to 160 stations in just a matter of months," says TRN CEO **Mark Masters**. "I believe affiliate response will be equally as strong for Rusty's weekday show. He's a real entertainer, yet he has strong opinions and that's what makes his show so compelling."

Humphries is a bit like **Mancow**—a patriot, a conservative, energetic and humorous. "Mancow is his best friend-he used to be Mancow's producer," adds Masters. Humphries has also produced comedy bits for **Rush Limbaugh** ("Bomb, bomb, bomb...bomb, bomb Iraq").—CM

Redstone injured, but mending

Viacom (N:VIA) Chairman and CEO **Sumner Redstone** is recuperating from two broken ribs and a collapsed lung, according to the *Los Angeles Times* (4/1). No, he didn't come to blows with **Mel Karmazin**. The Times said the 78-year-old industry titan slipped and fell in the bathroom of his Manhattan apartment. After treatment, he flew to DC for a White House screening of "We Were Soldiers" and then to LA, but Redstone's doctors ruled out a trip he was supposed to take to China last week.

Sumner Redstone

The LA Times story also contains a brief update on the tension between Redstone and Karmazin, Viacom's President and COO. "Mel and I have agreed that this year will be focused entirely on driving the company's business and driving the stock, and we will not discuss the future until the end of the year," he told the newspaper. And the Times noted that he refused to discuss the subject further.—JM

Winning campaign could lead to co-op coup

The National Association of Promotional & Advertising Allowances (NAPAA) holds an annual competition to honor innovative advertising produced with co-op and market development funds from retailers and manufacturers. Radio is traditionally underrepresented in this competition, despite the fact that retail is a critical element in the industry's client category list.

RAB is teaming with NAPAA to bring this more into balance. This year, the entry fee has been waived for worthy campaigns from RAB member stations that would like to enter their material into the contest.

The ultimate goal is to raise the level of awareness about radio among NAPAA members.

Said RAB President/CEO **Gary Fries**, "Retail is the largest revenue category for the radio industry. Even though we have been very successful in utilizing co-op to expand our advertiser's budgets in the past, there is a substantial amount of money left on the table each year. To focus on that potential could pay large rewards for our industry."

Deadline for entries is 4/19. Call RAB for details.—DS

RBR News Briefs

AOL in talks with Jimmy deCastro

The *Wall Street Journal* is reporting that AOL/Time Warner's America Online is in negotiations with former AMFM Vice Chair/Radio President **Jimmy de Castro** to bring him on board as President. The position has been open since February, when **Jonathan Sacks** announced his retirement. Since de Castro decided not to stay with Clear Channel after its merger with AMFM, he has invested in a few Internet ventures and recently opened Keefer's Restaurant in Chicago along with partner **Glenn Keefer**.—CM

61st Annual George Foster Peabody Awards

ABC News and National Public Radio were singled out for their coverage of 9/11 and its aftermath, as well as a special episode of NBC's "Third Watch" which focused on 9/11 rescuers, as the 61st Annual George Foster Peabody Awards for broadcast excellence were announced. One of the highest awards also went to "Nightline," which is facing cancellation by ABC. A complete list of winners appears on our website (RBR.com 3/28).—JM

Arbitron expands Houston metro area

Effective with the Spring '02 survey, Arbitron will add the counties of Austin, Polk and San Jacinto in Texas to the Houston Market. Houston will continue to include Harris County and seven other area counties.—CM

Tribune's FitzSimons heads initial MSRC panel

Dennis J. FitzSimons, President/COO of the Tribune Company (N:TRB) has been named chair of the inaugural term of the Media Security & Reliability Council. The federal advisory committee has been initiated by the FCC to "study, develop and report on the best practices designed to assure the optimal reliability, robustness and security of the broadcast and multichannel video programming distribution industries."—DS

Cumulus flips WWKL-FM Harrisburg

On 3/28, Cumulus flipped Oldies WWKL-FM Harrisburg, PA to Top 40/Rhythmic "Hot 92, The Beat Of Harrisburg." Newly flipped Hot AC sister WNNK-FM PD John O'Dea is the PD. Hot 92.1 is currently running jockless with 10,000 songs in a row and will announce staff changes as on-air strategies develop.—CM

LPB provides Blue 5C for RBR's remote Florida studio

LPB provided its second piece of equipment to RBR Radio: The Blue 5c audio console has arrived at RBR Publisher **Jim Carnegie**'s Florida office for Publisher's Perspectives, and other yet-to-be-announced initiatives. The unit will deliver audio and content to RBR Radio's main studio in Alexandria, VA.

The Blue 5c Audio Console is sort of a remote hybrid, with 10 inputs and five channels. "The Blue 5c Audio Console allows you to travel with more microphones and sources than any conventional remote mixer, but does not tie you to a particular phone standard," says LPB Sales Manager **John Devecka**. "It has two built in independent headphone amplifiers which allow multiple functions in the same board. All of the inputs are fitted to RJ45 connections so that you can move them to any location and snap them in, no dedicated channel limitations. Multiple buses allow for mixing field microphones and local announcers."—CM

Cornerstone acquires SuperTrends

The client list of extrapolation software supplier SuperTrends has been bought by Cornerstone Research for an undisclosed amount. These clients, which include Infinity (N:VIA), Emmis (O:EMMS), Entercom (N:ETM), SBS (O:SBSA) and Bonneville, will be moved over to Cornerstone's own XTrends software by the end of April. SuperTrends will continue to service clients until all of them have been moved over.

"We think our new subscribers coming over from SuperTrends will be very happy with the XTrends product and our commitment to service," said Cornerstone Director of Sales and Marketing **Mark Schreiber**.—DS

Bert Goldman makes ABC exit a First priority

Five-year ABC VP Engineering vet **Bert Goldman** has left the building to work for Dallas-based First Broadcasting. **Ron Unkefer** is the CEO there. The company buys stations, upgrades them and moves them into larger markets. **Chris McMurray** will serve as vice president of station acquisitions.

"It's an exciting opportunity to pursue some areas that I found of interest that I was doing at ABC with regard to upgrades and move-ins, and it's kind of an exciting, entrepreneurial move for

me—'radio station real estate development.' The big issue for me right now is to get some of these projects identified and moving in the right direction. Ron Unkefer is definitely stepping up the pace a bit," Goldman tells *RBR*. "I hate leaving ABC, they're wonderful people and a great company, but I was made an offer I couldn't refuse, so to speak."

Goldman's replacement, **Clay Steely**, will oversee the operation and maintenance of all ABC Radio-owned stations. Steely was most recently Director of Engineering for the ABC Radio Group in Dallas. ABC radio has three FMs and two AMs in the Dallas market. Steely joined ABC in 1990 as CE for its Dallas cluster. Steely will report directly to ABC radio President John Hare.

McMurray will be responsible for acquiring and operating selected stations and clusters in emerging markets. Before joining First Broadcasting, McMurray served as vice president and Houston market manager for Cox Radio and AMFM Radio. Before that, she was GM, SM, and account manager for Nationwide Communications.

First Broadcasting also announced its plan to operate its new full-market signal 97.3FM Kansas City move-in, which will sign on this fall. First Broadcasting's initial intro into major market ownership and operations began in 1992 with KSFO-AM and KYA-FM in San Francisco.—CM

Jupiter Media Metrix scrambling for cash

Internet audience measurement/analysis firm Jupiter Media Metrix is in a desperate attempt to sell off some or all of its assets before its cash runs out. Reportedly, plenty of suitors are taking a look at the company's assets but may be held up trying to figure the worth on a lot of "soft" assets.

Jupiter said that it only has enough money to cover its operating expenses for the next few months and that its auditor has questioned its viability.

In its annual report filed 4/1, the company said it holds only $7.5M in cash and equivalents, along with $1.4M in marketable securities, enough to hold it until the middle of Q2. Jupiters' loss from operations in '01 was $516.4M, driven largely by amortization costs of $411.3M related to new accounting rules on how quickly amortization of goodwill on past acquisitions can be charged off.

Jupiter had retained Robertson Stephens to help it weigh survival options, including a strategic investor and selling one or more of its business units including Jupiter Research; its Internet traffic measurement unit, Media Metrix; online advertising measurement operation, AdRelevance; and its European research and measurement arm.

Jupiter filed a lawsuit against competitor NetRatings 3/01 charging it violated a patent for tracking online web usage. The two companies later announced merger intentions, but when federal regulators raised antitrust objections, Jupiter the suit back on track. Jupiter has not asked for a specific amount in the complaint; but if the company were to prevail, damages could reach into the hundreds of millions, a prized potential asset.

In its 10-K filing, Jupiter said Nasdaq placed it on notice that its stock will be delisted by June, because its shares were trading below the minimum $1 price. In 4/1 trading, Jupiter's stock dropped 25% to $.15/share.—CM

Webcasters preparing for CARP eventualities

No one can know for sure at this point what will happen to the webcasting industry if the recent CARP Panel (*RBR* 2/25, p.2) royalty rate recommendations (acting under the Digital Millennium Copyright Act) are accepted by the US Copyright Office 5/21. While everyone but the RIAA hopes these rates will be rejected (the RIAA actually wants them higher), the grim reality may end up that commercial radio stations that webcast will have to pay .07 cents per song performance and Internet-only webcasters .14 cents per song.

Given the hell and high water the webcasting industry has gone through already—bankruptcy after bankruptcy, AFTRA, ASCAP, BMI, you name it—what contingency plans are broadcasters/webcasters looking at in preparation? We did a quick survey.

Of those webcasters still in business, Cablemusic.com was one of the first to halt its streams (RBR.com 3/15). The current message: "Thanks for your patience while we are offline. As you may have heard, license fees have become a big issue for webcasters. We are now deciding how we will proceed given the copyright arbitration panel rate recommendations. Check back soon and thanks again for your support! The Cablemusic Crew."

MediaAmazing switched to a subscription-only model 3/9 and eliminated all free streams. $3.95/month/$35.55/year are the new fees. MediAmazing has been a top Measurecast- and Arbitron-rated webcaster since the ratings companies began their service.

Bill Grywalski, SurferNetwork President, is already looking elsewhere for content. "We've got a couple of opportunities, an additional product line from a content point of view. We're looking at stations from out of the country and focusing on the content from places like Canada for example. And we're also looking at other types of content that are indifferent to the copyright issues, other than music."

Grywalski isn't so much concerned about the SurferNetwork may have to pay, but what his client stations will do. "If this is enacted as it stands, I think we will do fine, because we've already figured out what the damage to us would be, and we could afford it. We estimated that it's going to cost us about $8K a month. The problem is radio stations just need one little thing to push them off the cliff, and this is it. So we would be in a position where we would be very vulnerable to stations just having enough and wanting to just get out and go away. ASCAP—just when you thought it was safe to go in the water, along comes the Digital Copyright Act," he tells *RBR*. "We've got more stations leaving than coming in. They're just scared to death. People have had enough. Why do you want to stream? There's no money in it for them of any consequence. However, if you're in it this far, though, you should wait and see what happens."

Clear Channel, finally back to streaming some 200 stations after being silenced for months from the AFTRA fees issue (*RBR* 4/16/01, cover), was just getting psyched at its rising to the top of the MeasureCast weekly ratings (RBR.com 3/22) for the second week in a row—and in just its second week in the survey. Clear Channel Radio Interactive VP/GM **John Martin** is concerned what may happen if the CARP panel fees are put into law: "The onerous copyright fees that are being considered are overshadowing the future of streaming. We know the economics need to be worked out, and the business model needs to be fair and work for everyone. The current model doesn't achieve that parity. It would be a shame to see this exciting new interactive medium halted in its infancy."

Hiwire, which solved the AFTRA problem for Clear Channel by targeted Internet-only ad insertion, remeins optimistic that its clients can handle the burden from online ad revenues. Says CEO **Steve Goldberg**: "I can't speak for entity by entity. I can tell you that Hiwire is a strong company and that we don't believe that this is a major factor in our path towards profitability. Hiwire has a balanced mix of clients and I believe there are still opportunities for them in streaming. We're already seeing the ad market turn around a bit, so time will tell."

As many are saying, the reality of those royalty recommendations passing likely mean the record industry controlling all online music. Says Grywalski: "The rumor is if you are of the mindset of a more deviant thinking individual, that the record labels are really interested in killing the business so that they can approach it themselves. They would probably exempt themselves from the copyright issues and simply stream the artists that they represent—their music. And distribute and sell music that way."

One likely option is all streaming (not just **Rush Limbaugh** and Major League Baseball) would end up being subscription-based to pay for the fees. According to Arbitron and Edison Media Research's "Internet 8: Advertising vs. Subscription: Which Streaming Model Will Win?," four out of 10 streaming audio listeners would be willing to pay a small amount for commercial-free content, high quality audio or content they can't find anywhere else. "For streaming subscription models to be successful, however, content providers must follow the time-tested model of offering something extra to the consumer: no commercials, and great, exclusive content," said **Bill Rose**, VP, Arbitron Webcast Services. "In other words, Webcasters must bring the 'HBO model' of cable broadcasting to the Internet."

"I don't think the listeners are ready for a subscription-based model yet," says Grywalski. "I think it's close. I think it's popular enough where some percentage of the audience is going to say Yes, and therefore make it worthwhile to do it. Because you're going to lose most of your people—unless you offer two models—a for free model, just like cable TV with advertising and then a subscription-based with no advertising."—CM

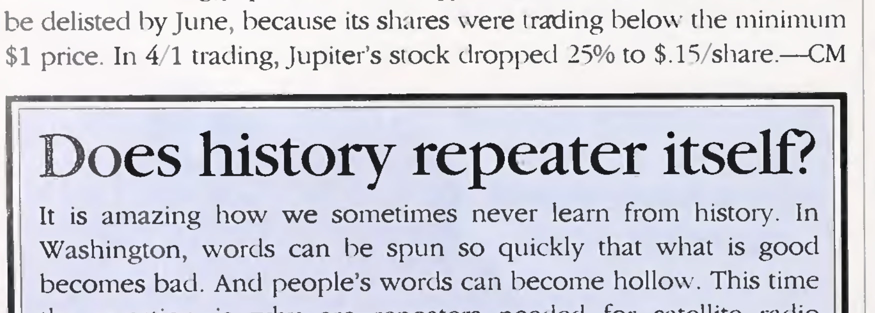
Does history repeater itself?

It is amazing how we sometimes never learn from history. In Washington, words can be spun so quickly that what is good becomes bad. And people's words can become hollow. This time the question is why are repeaters needed for satellite radio companies and are they going to be used for the intended purposes? The NAB is lobbing and saying that repeaters are not only going to be used for coverage gaps but for local content offerings. If calls we get from readers are any indication, some of the repeater locations are well outside any potential coverage problems.

If you want to see why the NAB thinks that all you need to look at is satellite television. To be competitive and attract consumers the satellite guys started adding local over the air TV channels. It only makes sense that this same model will be tried with satellite radio.

On the flip side of the issue is the largest radio company in the world is XM Satellite's #1 investor. Anyone providing audio content to XM must also agree to run radio commercials promoting the service – hence the reason you are hearing commercials on stations owned by radio companies like Radio One (O:RIOA), Hispanic Broadcasting (N:HSP) and Clear Channel (N:CCU) and syndicated properties.

So as we fight the issue as a broadcast industry we end up fighting with ourselves. The ultimate question long term will be did we as an industry called broadcasting kill the cash cow and help create a new competitor just to drive quarterly earnings? -KL



How to Collect Money in a Recession

By Paul Weyland

It is logical that collections will become a bigger problem in a recession economy. Here are five ways to immediately improve collections at your station.

1.Never let a collection problem go more than 24 hours before you take action.

The time to get busy with a collection problem is immediately upon discovering that the problem exists. More than 30 days with no payment from a new client is reason enough to become concerned. The longer you wait to take action, the colder the trail becomes. To confirm that you actually have a problem, first give the client the benefit of the doubt. Call the client and say that your bookkeeping department made a mistake and failed to send invoices to some clients. Ask your client if he was one of those who didn't receive an invoice. If the client responds that he did not receive your invoice and you know that the invoice did in fact go out, then you've got a collection problem. Offer to hand-deliver a duplicate invoice immediately in exchange for full payment.

2. Keep in mind that if the client owes you money, he probably owes money to 15 other vendors as well.

And you will be competing with those 15 vendors for any dollars that the client does have. The old adage, "the squeakiest wheel gets the grease," definitely applies here. This means that you will have to make your collection calls frequently and very personal if you are going to get the client's attention and your money. Be diligent. Remember that it is a psychological fact that people who owe you money will not contact you. They will avoid your phone calls and your visits if they can. So, if you can get through to the client, make certain that they understand that you have bills to pay as well and that you were depending on your commission from this transaction to help pay your bills. Communicating things that personalize your situation and make you stand out from the other creditors increases your chances of getting paid first, instead of last—or not at all.

3. Always accept partial payment or credit card.

If the client tells you that he cannot pay the entire balance, ask what he can pay immediately. Obviously, offer to take cash. Find out if your company accepts credit cards. If they don't, then advocate that they do, as credit cards are a great way to help with collections. As soon as your client pays you with a credit card the collection monkey is off your back and onto the back of the credit card company.

4. Set up a payment schedule.

Write up a payment agreement with installments over as many weeks as it will take for your client to pay his balance. Make it a contract with a place for you and your client to sign and date. Each time you come to collect your installment, ask the client if he could pay a little more this week.

5. Avoid collection problems all together by always asking for cash-in-advance.

As a rule, bars, restaurants, manufactured home dealers and promoters should *always* pay cash in advance, no matter what. There is no reason to assume that every one of your clients automatically qualifies for credit. Incredibly, we usually offer credit instead of asking for cash-in-advance. But what harm is there in asking for cash-in-advance with every single new direct customer? Some stations offer an incentive for CIA. For example, if a client is asking for a discount of some kind, negotiate cash-in-advance in exchange for the discount. After closing a direct sale of any kind, tell the client matter-of-factly that you need to pick up a check before the schedule begins. If the client vehemently objects, you can bet that you will probably have a collection problem at some point in the future.

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By Carl Marcucci

Are independent radio stations getting squeezed on spot buys?

Some industry sellers have been complaining that a problem in spot radio today is the big three—Clear Channel, Infinity and ABC—are doing the same thing with spot that the networks have been doing (*RBR* 2/18, p.4): packaging all of their prime inventory with weaker stations and offering the packages at great rates. They say these sweet deals are keeping some of the independent stations from getting on buys.

Said one seller: "Say you're a buyer and you're looking for 100 GRPs. CCU goes in and says, 'I want 50 GRPs.' Infinity walks in, they want 50 GRPs, ABC walks in and they want 20 GRPs. The big three want 120 or 130 GRPs and there's only 120 to go around. So then they start to package in all these markets. If you want to get on, say WMAL-AM in DC or WLTW-FM in NY, you're got to buy the whole package of our other stations in the market. We'll give you the good inventory then. The big guys are pulling monopolistic practices and the independents are having one hell of a problem. They're getting squeezed very hard."

What do the national spot buyers think? Is it a problem? "We're kind of opposed to that practice obviously because we really think that each station should stand on its own merits," says **Pat McNew**, Group SVP, Pentamark/PHD, who buys for DaimlerChrysler in Detroit. "Yet, the sellers are saying, 'Well, we want to take some of the less desirable elements and marry it with the more desirable elements.' Which we can certainly understand, but overall, we try to look at the CPMs that we're achieving—if that's the target or CPP and just try and drive the best deal. We have our own cost guides and things like that, but in certain cases, there's not much you can do about it—they're making deals we almost can't refuse."

"First off, I don't allow it to happen. The Clear Channel groups or the Infinity groups can present all of their stations, but I make them submit rates separately and we never let them jam anything down our throats," says **John Greenberg**, President, DC-based American Media. "Because obviously in a group, they may not all be in demo. We'll allow them to submit combo packages or group packages. If we can get the best efficiencies for our clients we will always do so. But at the same time, their reps know that we'll break it up in a heartbeat if we have to. A lot of them say that's the only way that they'll sell, but if you walk away, they will come back to you in two seconds."

Steve Shaw, Katz Radio Group President, represents many of those independents via Katz Radio and Christal Radio. His parent, Katz Media Group, also handles Clear Channel Radio Sales. He finds that package offers are often asked for by the agencies, not the other way around. "I think right now group deals and cluster deals are getting 80% of the conversation out there, and represent about 1% of the business when you cut right through it. I think with a lot of those, the incentive on the agency side is really economic. However, the supply is starting to tighten up and as business is starting to get stronger again, I think that advantage will disappear also," he explains. "We rep Cox and Bonneville and a lot of the major independent groups out there. If you look at the last six months, it's really when the maximum impact of some of these cluster deals have been out there, and we've grown share in those six months."

Dennis McGuire

Dennis McGuire VP/Senior Spot Radio Manager, Carat USA, agrees with Shaw: "I don't think the corporate deals are as pervasive as a lot of people like to think. Yes, I do know that there's a concerted effort on the part of the big players to package their radio stations and present it as an entity. But, I think a lot of buyers are balking at it, only because they do want to tailor the buys against the demographic that they are buying. If it means buying other stations, then they're going to do it. Yes, you can make an Adult 25-54 buy with Clear Channel in NY, but the Clear Channel stations may be skewed heavily female, and the Infinity stations in NY may skew heavily male. So a buyer really has to evaluate the package and make a decision as to whether lower CPMs guaranteed by the corporate entity are worth having a buy that may be slanted either male of female, [especially] if the client is looking for a 50/50 split."

Like Greenberg, McGuire will break up the deal and negotiate it: "For the sake of argument, they may say, 'Buy our six stations and we'll be able to bring it in at 10% or 15% lower than your cost per point. Maybe I might turn around and say, 'Hey, I will buy three of the stations and bring me at 5% or 7% under."

Shaw says if the big corporate packages get to become an issue, he can do battle by packaging his independent groups together in markets as well. "It is something we're keeping our eye on and we're even thinking of ways to aggregate some of our independents at some point, should that become an issue."

The independents

What about the independents in major markets? Do the buyers see them getting squeezed out of buys? "I don't see it now, because the independent stations not only have their core listeners, but they have their core audience of loyal buyers," McGuire explains. "In NY, for example, WBLS-FM is independent. WBLS is a very strong station. Even if I were buying a corporate deal, why would I want to cut out of my buy a strong station like a WBLS? Also in NY, the Classical station, WQXR-FM—if you're making an upscale buy and you really want to reach the people who have the discretionary income to buy the high ticket items—opera subscriptions, Mercedes, airline tickets or vacation packages—you don't want to be off the Classical stations."

"I don't think so—not if they're a player. If you have the ratings, you shouldn't be overlooked," observes Greenberg. "If you're number one in the demo and you're an independent, people are going to look at you. We're buying across the country in the top 25 markets at any given time. I've watched the independent stations really be able to step up and do so much more. Because they're not a Clear Channel or an Infinity, they can really do a lot—move faster, be more promotionally driven, do merchandising, added value, everything. And a small station can be represented fairly if they were to get national representation from the Intereps of the world."

One NY independent owner, Whitney Radio President **William O'Shaughnessy**, says because he doesn't depend on ratings, the packages haven't hurt his stations—WRTN-FM and WVOX-AM—a bit: "We fortunately have not had to play the numbers game. In fact, we're one of the few broadcast companies in the NY metro area who doesn't subscribe to Arbitron. So we have about 100 accounts that don't use radio anywhere else. So all the enticements and add-ons offered by the consolidators, the conglomerateurs, to Madison Ave. have little impact."

So the big corporate packages are fair, in your opinion? "I think it's fair. I find absolutely nothing wrong with it. Now if I were an antitrust lawyer, I might have some questions about it. But it doesn't bother me. WVOX and WRTN have their own special niches."

Steve Shaw

Consolidation's role

How has consolidation increased packaging? While broadcasters have had combos and forced combos going back to the 70s, the in-market packages offered were obviously smaller. "They forced the AM and FM combos and really no one wanted the AMs back then, just the FMs," Shaw tells *RBR*. "It's kind of the same story now, it's just they've got six of them instead of two. However, even the major independents, if you look at Bonneville and Cox, they've got major clusters in their individual markets anyway. We've chosen not to sell them that way, we split a lot of our clusters between Katz and Christal in those markets, because I still believe that a salesperson going and selling 2-3 stations in a market is better than one going in and selling five or six."

"This concept was pretty much in place well before the consolidation, I mean even with the likes of Interep as a national sales force, between McGavren Guild and D&R, they would have several stations in a marketplace if you were buying nationally," says Greenberg. "They would all sit in a little room together and say 'Lets hold CPPs.' We did the same thing back then—as soon as you break them up, they're all going to cut each other's legs out from under. We've always found that. We break up combos. It's never, 'Well, if you don't buy this station, you don't get that station'."

"You can't blame the stations for what they're doing, I mean the corporate owners. When you're a 500-lb gorilla, one of the advantages is you can use your weight. And hey, if they come across with a good deal, then you go with it," says McGuire. "It's really hard to look at 4-5-6 stations in one market and say these stations are going to give me everything I want. It's hard to say yes to something like that, unless the deal they're giving is so phenomenal, so cost efficient."

Buyer beware?

Can buyers get taken by over-packaging? What sounds great may not really be if you break up the "parts of the sum." Warns McNew: "I think it's definitely buyer beware. If you're not keeping track of historical rate tracking, if you're not really comparing what you have done, where you want to go and what you're objectives are, I think you can get taken on some of this and some of the independent guys can get hurt in the process."

"Caveat emptor. Absolutely. I think that the buyers have to look at the demographic skew of the stations that they're buying in the corporate deal," adds McGuire. "They have to look at the audience composition. The composite of the stations, the cumulative audience—does it mirror people they're trying to reach for their client? In this package are they willing to buy a very strong 18-34 station, because the other stations are giving them more in the package? Or are they better off either breaking up the package or just buying on a regular station-by-station basis? The buyers are not being put into an untenable position. They just have to say, 'No, it doesn't make sense to me.' It's only if somebody is coming in and maybe strong arming a buyer who is not particularly strong him or herself. But any buyer worth his mettle is going to know when a deal is good for them. A smart buyer should know offhand if the stations he or she is getting is giving them everything their client needs. And generally, it's not."

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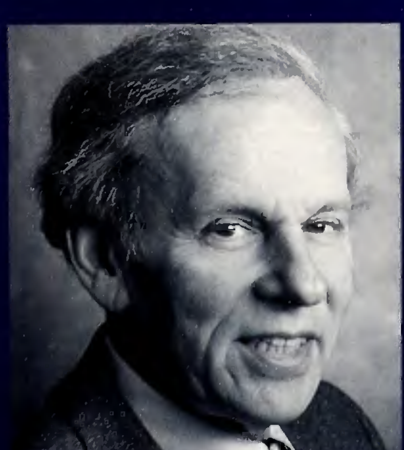

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Shook, Hardy and Bacon

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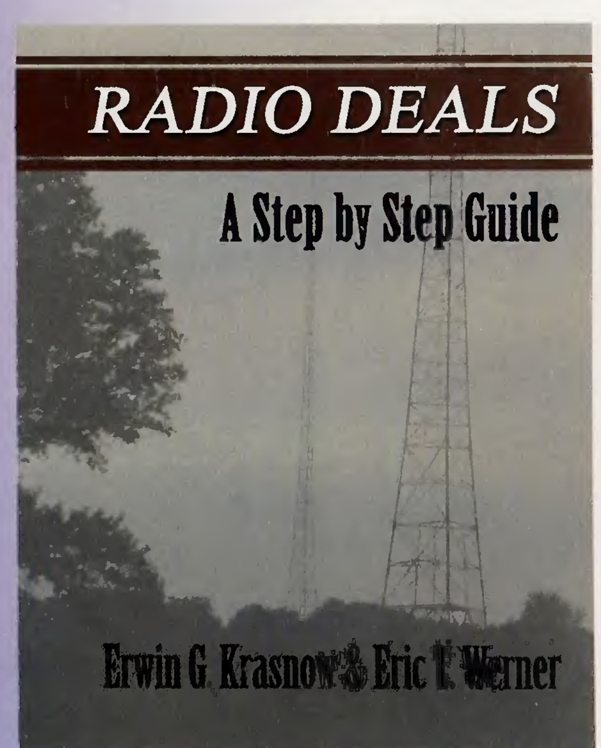

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Greater Media:
Rooted strongly in the mainstream

There is money to be had in the markets radio group owner Greater Media calls home, and as a rule the group takes a direct route when going after it. Of the 14 major format groups we use at *RBR*, GM makes significant use of only three—Adult Contemporary, Rock and Classic Rock or Hits. Those three formats account for over 70% of its total listenership, based on 12+ results from the Arbitron Fall 2001 survey.

If a group's format lineup can be compared to a station's playlist, you'd have to say that the Greater Media lineup is exceedingly tight. It has a presence in only four of the remaining 11 format groups, completely ignoring fully one half of the possibilities.

This is due in large part to its eschewal of niche formats. Among the ignored are Urban, Spanish-Ethnic, Religion, Smooth Jazz and Classical.

Two formats closer to the mainstream are also on the ignored list. CHR and Oldies are absent from the GM lineup.

The other four formats in the Greater Media lineup fall into the Standards, News-Talk, Country and Alternative categories. Of those, its reliance on Standards is high above the national average. The other three are considerably below.

See the separate chart and story on p.11 for a look at Greater Media's format usage.

Shooting for the money demo

Remember the old Chicago tune "Twenty-five or Six to Four?" The theme song for Greater Media could almost be "Twenty-five or Six to Fifty-Four." It's incredibly strong presence in the AC and Classic format groups almost guarantee that it will outperform its 12+ numbers when buyers dig a little deeper into the Arbitrons.

In Philadelphia, all three of the group's FMs do better 25-54 than they do 12+; In Boston, three of five FMs have a 25-54 spike (and the other two miss matching their 12+ results by the barest of margins); and in Detroit all three FMs have 25-54 numbers which blow away their 12+ results.

The biggest exception to this rule is the group's lone big-market AM station, WPEN in Philadelphia. In keeping with the group's musical tendency, the station plays Standards, rather than relying on some form of News-Talk like a lot of similar stations. In the 12+ derby, the station has fallen into a bit of a rut—it's gone from ratings in the low fours to the low threes over the course of the past year. Its performance in the age demos mirrors that of most Standards stations, which is to say it barely shows up at all in the younger demos and is significantly devalued even in the oldest cell which Arbitron reports results for, the 35-64 demo. Its ratings in that demo were less than half of its 12+ results, which tells you that the vast preponderance of listeners are age 65 and older.

If you throw out WPEN, the rest of the Greater Media lineup has better than a 25% spike in the 25-54 "money" demo.

Going up against the best

Greater Media's strong results are all the more impressive when you note that the group is going up against the biggest and best radio companies in the country in all three places.

It faces off against the big two in all three locations. Clear Channel (N:CCU) and Viacom's Infinity (N:VIA) are all but everywhere in the top 50 markets.

In Philadelphia, Greater Media must also contend with Radio One (O:ROIA), Beasley (O:BBGI) and WEAZ, the latter of which operates perhaps the strongest standalone station in the entire country. Entercom (N:ETM) is a force in Boston, and Radio One and Beasley both have a smaller presence. In Detroit, Disney's (N:DIS) ABC is a force, and Radio One is also in this town as well.

The Morning Show L to R: Cynthia Canty, Jim Harper, Mike Bradley and Linda Lanci.

Anatomy of a format flip

Greater Media's greatest success over the past year has to have been its highly successful flip from Rhythmic Oldies to Adult Contemporary in Detroit.

The old Alternative WXDG-FM got into Rhythmic Oldies in the spring of 1999. It hit a 3.1 12+ Fall 1999, but never again broke out of the two's. The flip to Adult Contemporary as WMGC-FM took place July 2001. The flip can only be called an unqualified success.

One of the highlights: The station vaulted into a tie for first place among persons 25-54.

The incumbent AC in town was Clear Channel's WNIC-FM, which was by far the top station 12+ in the market Fall 2000. Fall to fall, WNIC went from 7.6 all the way down to 4.8 and suffered huge drops W25-54 and W35-64. It's not too hard to see where Magic's new audience came from.

In fact, a good bit of WNIC's ratings came over in the most direct way possible, in the form of Program Director/morning host **Jim Harper**, who after many years left WNIC and took on the same roll at WMGC. Signing Harper was perhaps the major reason AC was the format of choice for the station. It was also the reason for the rapidly-realized success of the flip.

"He brought with him the members of the morning team, and these folks and their experience with the audience, they've just built this amazing emotional bond with their listeners, and they just came right over," Operations Manager **Bill Fries** told *RBR*. "In the process we've recruited some new listeners, too, from other sources in the market."

L to R: Bill Fries and Jim Harper showing off the Fall book.

With Harper behind the mic, WMGC easily bested WNIC during morning drive.

Fries on the swift change in the station's fortunes: "It came as a surprise to us—we didn't expect it to happen that fast. But we still have our work cut out for us. We're way ahead of where we projected we'd be—but that doesn't mean we're coasting."

On competing with WNIC: "WNIC is a great radio station. They've spent many years perfecting their AC product. For Jim, its interesting, because he's having to program against himself basically—he built that radio station. Now he's on the other side of the fence with us, having to attack his own product. In a way, that's one of the most challenging things you can do."

Magic commands a huge portion of the adult female audience in town. Although it gets a only tiny piece of the W18-34 cell, it claims a big chunk of W25-54, and an even bigger share of W35-64. It is #1 in the market in both categories.

Effecting the flip was a group effort. "There is no programming guru who dictates what we do," said Fries. "It's definitely a team effort. From the top all the way down everyone was involved. [Greater Media CEO] **Peter [Smyth]** is great—when we do research projects, Peter is there. With Clear Channel and Infinity, [CEOs] are not attending research projects at individual stations. Peter does."

WMGC uses **Bob Harper** and Associates for research; **Gary Berkowitz** consults.

Phormats true to phorm in Phillie

Greater Media's three Philadelphia FMs program its three favorite format: Rock, Classic Rock and AC (the Hot strain in this case), but its strongest station in town is the aforementioned WPEN-AM. It appeals to the over-65 crowd, and as such is off of the Arbitron demographic radar screen. However, its sales staff has little to fear in the way of competition from its sister stations, and no doubt has little competition from any other Philadelphia station. It's listeners more than likely have Infinity's juggernaut Newser KYW on the car radio push-button array; after that this audience no doubt scatters in small numbers across the rest of the dial.

Rocker WMMR-FM is strong 25-54. It is even stronger in the 18-34 demo, and does a particularly good job attracting male listeners. The M18-34 cell comes with well over twice as much ratings value as its overall 12+ number. Its results with women are below the 12+ benchmark across the board.

Classic Rock WMGK-FM is at its best in the 25-54 demo. Its strongest demo is M25-54, but it manages to attract a balanced male-female audience with only a slight edge among males between the two groups. On the flanks of 25-54, it has greater strength 35-64 than 18-34, although it turns in respectable numbers across the board in all cells.

When 2001 began, Greater Media's 95.7 mHz facility was called WEJM-FM, and it was playing Rhythmic Oldies. Last summer it abandoned the flagging format and installed a Hot AC or Adult CHR format with new calls WMWX-FM "Mix". It seems to be an astute move, with only one other market station in the format. However, that station is market-leader WBEB-FM, the legendary WEAZ big-market standalone. It has lost ground since its Rhythmic Oldies days, turning in consecutive 1.5 12+ books. It wasn't doing that much better before, though, going 2.1-2.0-1.7 before the flip. It skews toward women, doing best in the W18-34 cell, which more than doubles its 12+ number.

Fall-to-fall, all four stations suffered declines in their 12+ numbers. Almost a share of that was at the expense of WPEN, and that is a trend which is unlikely to be reversed, although the station's ratings appear to have stabilized for the time being. If WMWX can get some traction, with a little bit of a bounceback from the Rock and Classic Rock outlets, Greater Media could quickly build its shares back up.

The group is firmly entrenched in third place in the market, behind Clear Channel and Infinity. It has little chance of catching either; on the other hand, nobody further down the chart has much of a chance of catching Greater Media.

Steady as she goes in Beantown

AC WMJX-FM is consistently in the top three among Boston stations. We should say it is consistently either 2nd or 3rd—Infinity's Newser WBZ owns the top spot. WMJX anchors a strong five-FM cluster that follows the group's tendency to avoid duplication.

The WMJX audience is heavily weighted toward women, and its almost identical rating in the 25-54 and 35-64 demos is close to double its 12+ number. For that matter, it does very well in the W18-34 cell as well. While its male numbers are OK, they are below 12+ across the board.

The sexually balanced audience of Classic Hits WROR leans male, although it draws good numbers on both sides of that fence. Mostly ignored by the younger set, it outperforms its 12+ numbers by a significant amount 25-54 and does best with the 35-64 group.

Boston is not the most fertile ground one could imagine for a Country station, but Greater Media has been running WKLB there for quite a while now. They're doing it with a decided female slant—the W18-34 demo is at par with the station's 12+ number, with the audience growing significantly into the older female demos. Men 35-64 are tuning in about on par with 12+, and then less as you go younger.

News-Talk is the dominant format group in the large markets, but Greater Media's lone top-10 entrant is not in the AM mainstream. FM Talker WTKK appeals primarily to the older male demo, and does pretty well among M25-54. The women, for the most part, tune elsewhere, although the station's W35-64 is almost at par with its 12+ benchmark.

Finally, Adult Alternative WBOS-FM weighs in. Straight Alternative stations tend to attract M18-34 more than any other group—this one does best with women 18-34 and 25-54, each with results which nearly double the station's 12+ total. It doesn't do half bad with men either, also bettering its 12+ number among M18-34 and M25-54, although not as significantly as with the women. However, the Alternative battlefield is unusually crowded in this market. Most places, it's a one-station niche. Here, WBOS trails WBCN, but does better than WFNX and WXRV. (Is there another market anywhere with four Alternative stations? And I didn't even count WFNX satellite WFEX, which scored an above-the-line 0.1 Fall 2001).

Fall-to-fall, the Greater Media cluster was basically flat. It gained one tenth of a share over the year. Improvements at WMJX, WROR and WTKK were balanced by drops at WKLB and WBOS.

Overall, the cluster is solidly in second place behind Infinity, enjoying a sizable lead over #3 Entercom and #4 Clear Channel.

Doubling down with doctored Detroit station

WEJM Phillie wasn't the only Greater Media station to abandon Rhythmic Oldies last summer. Detroit's WGRV-FM also kissed the format good-bye, coming back as "Magic" WMGC-FM, sporting a mainstream Adult Contemporary sound. Although this is probably still a work in progress, it is also already an unqualified success. The station has doubled its 12+ rating fall-to-fall and is now the highest rated station in the Greater Media three-FM cluster. It is also ties for first place P25-54. For more on WMGC, see P.10.

The station WMGC is tied with for the P25-54 first place honors is another Greater Media station: Rocker WRIF-FM. Despite this lofty status, it was a more difficult year for the station, which dropped almost a full share fall-to-fall and over a full share spring-to-fall. However, its ability to deliver its target demo—M18-34—appears to be only slightly diminished. It still scores double digits. It is also very strong M25-54 and well above par even with M35-64. Women, for the most part, do not give this station the time of day.

Classic Rocker WCSX stayed on an even keel all year. It does a great job of zeroing in on M25-54 and M35-64, and even pulls M18-34 above its 12+ level. It is more even-handed than Rocker WRIF, in that women don't totally ignore it. It almost achieves par in the W25-54 and W35-64 demos. W18-34 barely know that it exists.

The big gains at WMGC outweighed the loss at WRIF, allowing the cluster to pick up 1.6 shares fall-to-fall. Greater Media currently holds down 4th place in the Detroit market. Infinity and Clear Channel, with six and seven stations respectively, are out of reach, but it would not take much at all for Greater Media's cluster to overtake the 1AM-2FM duopoly run by ABC and grab third place.

Greater Media: Adults only

Although Greater Media stations are not unknown to listeners younger and older the 25-54 age group, the group's programming is firmly rooted in the middle, money demo. GM mixes it up in the usually hotly contested Adult Contemporary scene, where the adults—and the advertisers—are.

As careful as the group is to be in the AC battle—it has an entrant in all three of its top ten market clusters—it is equally distant from the CHR wars. For the most part, GM leaves the kiddies to someone else.

The percentages below are based on Arbitron 12+ numbers from the Fall 2001 survey, adjusted for market size and excluding out-of-market stations and other forms of lost listening. They show what percent each format is of total Greater Media listenership. The US index compares Greater Media's use of the format to total national usage; Mkt (market) index compares GM to total use in its specific markets. 100 is par. For example, GM's use of Rock is almost four times the national average.

GM Format	Pct.	US index	Mkt index
AC	29.6	211	173
Classic Rock	21.4	357	334
Rock	20.8	392	315
Standards	10.8	348	338
News-Talk	7.0	44	35
Country	6.4	58	139
Alternative	4.0	95	70
CHR	0.0	0	0
Urban	0.0	0	0
Spanish	0.0	0	0
Oldies	0.0	0	0
Religion	0.0	0	0
Jazz	0.0	0	0
Classical	0.0	0	0

Sources: Arbitron,
RBR Source Guide *database*

By Jack Messmer

Big City using less red ink

Big City Radio (A:YFM) posted improved financial results for Q4, although it continued to operate with negative cash flow. Net revenues for the mostly-Spanish station group declined 19% to $4.5M. But dramatic cuts in expenses reduced the company's negative broadcast cash flow (BCF) to $93K, compared to -$771K a year earlier.

The picture was much the same for Big City's full year 2001 results. Net revenues declined 14% to $20.5M. Negative BCF was $758K, a vast improvement over -$2.2M in 2000. That doesn't include an additional $1.5M or so in operating red ink each year for Big City's Internet operation, TodoAhora.com.

Big City's 10-K filing with the SEC included a warning from its auditor, KPMG, that there were doubts about the company's ability to continue as a going concern. But KPMG had included a similar warning in its 2000 audit—and **Stuart Subotnick**'s radio group is still in business a year later.

After selling its Phoenix stations to Hispanic Broadcasting Corp. (N:HSP) for $34M and paying off a bridge loan, Big City had approximately $18.2M in cash on hand as of 12/31/01. A semi-annual interest payment of $9.8M on its public bonds last month (3/15) left that dwindling pile of cash at $6.5M. In its SEC filing, Big City noted that it will have to raise new equity, find a way to borrow money or sell additional assets in order to make the next $9.8M interest payment, which will be due 9/15. In addition, if Big City misses that interest payment and hasn't reinvested the $18.2M in net proceeds in broadcasting assets prior to 10/31, it is required to make an offer to repurchase its $174M in outstanding bonds—something it obviously can't do.

Farid Suleman

Farid's first cast lands a Kingfisher FM

Farid Suleman's first acquisition since taking the helm at Citadel Communications is a pretty standard expansion of an existing superduopoly. Citadel is paying $3.1M for KLGH-FM, a Class A which signed on last year on 105.3 mHz. It's licensed to the tiny community of Kingfisher, OK and has its tower located at the Northwest edge of Oklahoma City. The acquisition will give Citadel a fifth FM in the OKC market. It also has one AM.

The seller is Kingfisher County Broadcasting, principally owned by **Tom McCoy, Hal Smith** and **Chet Taylor**. They own no other stations. Broker: Kalil & Co.

***RBR* observation:** The first, but almost certainly not the last for Suleman in his new job. We keep hearing speculation that he'll have Citadel gobble up Cumulus (O:CMLS), Regent (O:RGCI) and Next Media.

But remember, Farid is an Infinity veteran. We expect to see him go up-market, not down—bidding on the few remaining big market independents and perhaps something like Beasley (O:BBGI). And he'll likely want a large outdoor platform to operate with radio. There's only one of those left—Lamar (O:LAMR).

Cumulus juggles Texas signals

Cumulus Media (O:CMLS) is buying a station in market #9 to downsize so it can upgrade a station in market #133. That's not as crazy as it sounds, since KSTB-FM Crystal Beach, TX is hardly a full-market signal in the Houston-Galveston market as it stands. Although it puts a signal into Galveston as a Class C3, it doesn't city-grade any part of Galveston—let alone come close to Houston. Cumulus is buying the 101.5 mHz signal from **Irwin Davis** for $2.5M to downgrade to a Class A—which will still put a signal into Galveston from a somewhat closer tower site.

That will make it possible for Cumulus to upgrade KLOI-FM Silsbee, TX (Class C3 on 101.7 mHz) to a new tower site just east of Beaumont and north of Port Arthur, giving it full market coverage. Cumulus bought KLOI last year for $2.1M as a replacement for its Beaumont-to-Houston move-in, now KRWP-FM.

Doyle Hadden of Hadden and Associates brokered the KSTB sale.

Edwards comes home for $3M

Dale Edwards is expanding D&E Communications to his home market, Cleveland, with a $3M deal to buy Gospel WABQ-AM from **John Linn**. An LMA of the 1kw daytimer began 3/15. D&E already owns Gospel WPAO-AM & Classic R&B WRTK-AM in the Youngstown market.

Until recently, Edwards had been Director of Religious Programming for Radio One's (O:ROIA) Cleveland cluster, even while owning the two stations in Youngstown. "I never anticipated purchasing a station in Cleveland," he said, but the opportunity to buy WABQ happened to come up as he was having differences (which he won't go into) with his employer. "You have to take the opportunities when they present themselves," Edwards said.

So, Edwards is now at WABQ, where he'll be both GM and group owner, overseeing his three-station group from the new Cleveland headquarters. Edwards won't discuss his financial backing (he owns 100% of the voting stock of D&E), but he won't rule out further expansion, even while digesting his biggest acquisition to date.

K-Love heads to the border

Richard Jenkins' Educational Media Foundation is picking up an El Paso, TX non-commercial outlet for its K-Love Contemporary Christian network. It's paying $1M for KXCR-FM, currently owned by **Arturo Vasquez**'s Etcom Inc. Broker: **Greg Guy**, Patrick Communications.

***RBR* observation:** Although this station is a Class A on 89.5, it uses a 1,093-foot tower (reducing power to 180 watts), so the line-of-sight signal covers a lot of territory—in the US and Mexico.

Mickey enters Toledo, eying Jacksonville

It appears Disney (N:DIS) is picking up another top-100 market O&O for Radio Disney. ABC Inc. is paying **Thomas Wolfe**'s Wolfe Broadcasting Corp. $750K for WFRO-AM Fremont, OH. While the transmitter is closer to Sandusky than Toledo, the directional pattern is aimed right at Toledo and the 2.0 mV/m contour blankets virtually the entire city.

ABC is buying only the license and transmitter site, so Wolfe will keep the call letters and all of the assets associated with WFRO-FM. Look for broker **Greg Guy** of Patrick Communications, who handled the sale of the AM to ABC, to find a buyer for the FM as well.

While ABC doesn't own any other radio station in Toledo, it does have a TV station, WTVG-TV (Ch. 13, ABC). In fact, the subsidiary which will own the AM license is WTVG Inc. So, Disney had to file extensive paperwork for this deal to show that the Fremont, OH acquisition is permitted under the radio-TV crossownership rule and the local ownership rules for radio. In addition to having contour overlaps with WTVG-TV, WFRO-AM is fully encompassed by the contour of WJR-AM Detroit, but doesn't have any contour overlap with ABC's Detroit FMs.

Jacksonville, FL is next in line for a Radio Disney O&O. According to the *Jacksonville Times-Union*, Cox Radio (N:CXR) is selling WBWL-AM to ABC, which plans to flip the format from Sports to its kiddie net. Jacksonville will still have one Sports station, Clear Channel's (N:CCU) WFXJ-AM.

KDB rescue effort falls short

The University of California, Santa Barbara fell well short of its goal of raising $3.6M to buy KDB-FM and keep it Classical (*RBR* 1/28, p. 7). In announcing that the university had failed to raise the cash by the deadline of 3/31 set in its agreement, Chancellor **Henry Yang** said he still hoped to see the station stay Classical. "Right now we must support the owners in their efforts to find another party that has the resources to buy the station and the determination to retain its Classical music format."

***RBR* observation:** That won't be easy. Pacific Broadcasting has reportedly been offered $5-6M for the station by groups who want the Class B signal on 93.7 mHz, but not the Classical format. According to BIA, KDB is not only out-billed by every other Class B and B1 in the market, but by several of the Class As as well. Clear Channel (N:CCU) is the market's biggest player, followed by Cumulus Media (O:CMLS).

Bozeman CP brings $400K

A construction permit for Bozeman, MT is changing hands, but it isn't landing in one of the existing clusters. Spanish Peaks Broadcasting, 100% owned by **Kevin Terry** of Salt Lake City, is buying the CP for $400K from **Ron Muri**'s Gallatin Broadcasting. The unbuilt station is to be a Class C1 on 103.5 mHz.

Stone buys rest of Southern Broadcasting

Paul Stone is going to become the sole owner of Southern Broadcasting, after buying out the estate of his late partner, **Charles Giddens**. Under the contract just filed with the FCC, Stone will pay Giddens' widow, **Joanne**, $15M for 50% of the radio group's stock and real estate. She'll also receive additional compensation, should Stone sell the stations to someone else over the next several years. Southern owns 10 stations in Georgia and is in the process of buying two others.

Excelsior buys Dial Communications

Excelsior Radio Networks announced 4/3 it has acquired Dial Communications and merged Dial with its Global Media Division. The new division will operate under the name Dial Communications-Global Media Inc. and will be led by Dial principals Jeffrey Gasman, David Landau and Ken Williams who will act as co-Presidents. The deal creates a national sales rep company with anticipated 2002 revenues of $50M and a client roster of 40 radio programs/production companies.

What does the ad community think? RADAR! "I haven't been presented with the strategy of the company going forward, so I'm not sure to what extent we will be supporting the new entity." Mindshare SVP, Dir./Radio Negotiations **Reyn Leutz** tells *RBR*. "I will say, however, that I am encouraged by the fact that smaller suppliers are getting bigger through this type of merger. We will now expect that a new organization like Global-Dial will be financially capable of raising their accountability in the industry, through better measurement, ie. RADAR and improved clearances."

Excelsior, a subsidiary of Franklin Capital (A:FKL), was formed last summer by Franklin, Sunshine Wireless and Change Technology Partners with the purchase of Winstar Radio Networks, Winstar Global Media and Winstar Radio Productions. Excelsior reps over 25 clients, including Jefferson-Pilot Radio Network, The Mann Group, Waitt Media, Stephan Productions and Wall Street Journal Reports. Excelsior's production division produces/distributes 50 programs and services.

Dial was founded in '89 by Gasman. In 11/00, Landau and Williams became partners in the company after leaving EVP/Sales slots at Premiere. Dial reps over twenty clients, including 60 Second Inc., WOR Radio Network, Multi-Net Marketing, TM Century and TRN's Michael Savage Show.—CM

Drake is back with Backyard Broadcasting

Veteran radio exec **Barry Drake** has entered the ranks of ownership with the acquisition of a pair of FM stations in the Jackson, MS market. WTYX-FM and WVIV-FM are being bought from **Mike McRee**'s Proteus Investments for $5M.

Proteus bought WTYX from the Holt Corp. for $1.9M *(RBR* 6/12/95) and picked up WVIV a few years later from **Bobby Imbragulio** for $850K *(RBR* 3/9/98).

Drake, who is President/CEO of Backyard, is a veteran on Sinclair Broadcast Group (O:SBGI), where he was CEO for both TV and radio, and was also President of Keymarket Communications.

Jackson is just the beginning for Backyard. "We think it's a great time to get into radio. We're looking at several opportunities right now—nothing I can discuss today," Drake told *RBR*. "We're looking at markets with 100K-500K in population, where there is still an opportunity to find good properties and do great local radio."

Backing comes from Boston Ventures, which counts among its ranks **Barry Baker**, who also put in some time at Sinclair. Broker: **Frank Higney**, Kalil and Co.—DS

Cumulus pays cash dividend on preferred

Cumulus Media (O:CMLS) says it has paid cash dividends—a total of $4.6M—to holders of its Series A Cumulative Exchangeable Redeemable Preferred Stock. The 4/1 payment of the Q1 dividend was made to shareholders of record as of 3/15.

***RBR* observation:** Cumulus doesn't have to pay cash dividends on the preferred issue yet. Cash payments aren't mandatory until July of 2003. But if it didn't pay cash, the company had to make the dividend payment in additional shares of preferred stock. With its stock price up sharply from the dark days of past years, Cumulus' management decided that paying cash was the better course. However, the company notes that it retains the option to select either payment option—at least for the next few quarters.

Susquehanna's KC buy capped at $37M

The annual report that Susquehanna Media just filed with the SEC reveals a bit more about its deal to acquire a Kansas City move-in on 105.1 mHz *(RBR* 2/26/01, p. 12), now known as KFME-FM. As reported, Susquehanna paid $10M for a 40% interest in the licensee, **Frank Copisdas'** Jesscom, and has an option to buy the remaining 60% after three years for the fair market value. The SEC filing reveals, however, that there is a floor and ceiling for that fair market value. Copisdas is to receive no less that $15M for that remaining 60%—and no more than $27M. So Susquehanna's total price tag for its fourth KC station, which signed on 6/18/01, will be in a range of $25-37M. That deal was brokered by **Mike Bergner** of Bergner & Co., representing Copisdas, and **Larry Patrick** and **Terry Greenwood** of Patrick Communications, representing Susquehanna.

How's that IPO doing?

Radio IPOs were hot in the 1990s. Not as hot, perhaps, as dot-com IPOs, but plenty hot. We all know now, with 20/20 hindsight, that most of those hot dot-com IPOs were nothing but a way to burn money. But what about the new radio stocks? *RBR* has taken a look back to see just how much radio stocks have risen—or fallen—since their initial public offering.

While it's not possible to pin down an IPO price for some companies that are the merged product of many parts, such as Viacom (N:VIA) and Hispanic Broadcasting (N:HSP), *RBR* did go back in time to include even the ancient IPOs of Clear Channel (N:CCU) in 1984 and Saga Communications (A:SGA) in 1992.

Radio IPO progress through Q1 2002

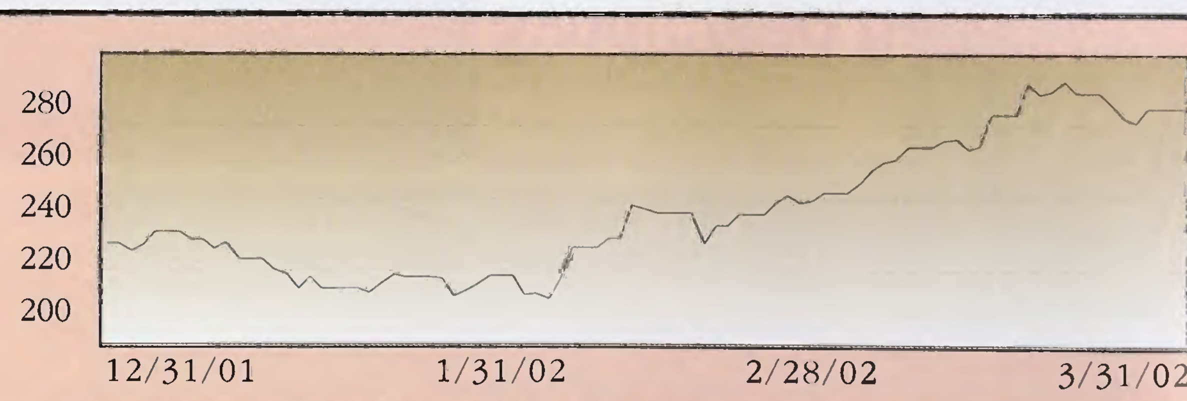
Company	Symbol	IPO Year	IPO Price*	3/28/02 Close	Net Change	Percent Change
Beasley	O:BBGI	2001	$15.50	$14.91	-$0.59	-3.81%
Big City	A:YFM	1997	$7.00	$0.90	-$6.10	-87.14%
Clear Channel	N:CCU	1984	$0.48	$51.41	$50.93	10,610.42%
Cox Radio	N:CXR	1996	$18.50	$28.40	$9.90	53.51%
Cumulus	O:CMLS	1998	$14.00	$17.90	$3.90	27.86%
Emmis	O:EMMS	1994	$7.75	$26.74	$18.99	245.03%
Entercom	N:ETM	1999	$22.50	$54.87	$32.37	143.87%
Entravision	N:EVC	2000	$16.50	$14.80	-$1.70	-10.30%
Interep	O:IREP	1999	$12.00	$3.31	-$8.69	-72.42%
Radio One	O:ROIA	1999	$8.00	$21.76	$13.76	172.00%
Radio Unica	O:UNCA	1999	$16.00	$1.65	-$14.35	-89.69%
Regent	O:RGCI	2000	$8.50	$8.24	-$0.26	-3.06%
Saga	A:SGA	1992	$3.39	$25.20	$21.81	643.36%
Salem	O:SALM	1999	$22.50	$23.70	$1.20	5.33%
SBS	O:SBSA	1999	$20.00	$13.55	-$6.45	-32.25%

*Adjusted for subsequent splits

Source: SEC filings, company information, all calculations by RBR

The Radio Index™ returns to record highs

The Radio Index™ shot back up to record levels in the latter part of Q1 2002 as Wall Street investors became convinced that the ad recovery was underway. The previous record of 256.060, set 12/31/99, had held for more than two years as radio suffered through the dot-com collapse, interest rate hikes by the Federal Reserve and the national recession which followed. But the old record fell on 3/15/02—and that record high was eclipsed twice more before the month and quarter ended a bit lower. For now, the all-time high for The Radio Index™ is 272.299, set 3/21/02.



LIN IPO seen at $19-22

LIN TV Corp., which will trade on the NYSE as "LTV," expects to price its IPO in a range of $19-22. The company's updated filing with the SEC (4/3) indicates that it will sell 14.65M shares, so the IPO should bring in $278-322M before underwriting costs. The company also named its underwriters—Deutsche Bank Securities (note the name change—Alex. Brown has left the building), Bear Stearns & Co., JP Morgan, Credit Suisse First Boston and Morgan Stanley. The underwriters can also tap a 2,197,500 green shoe if the offering is over-subscribed.

The new shareholders will own about 32% of LIN's equity. Including the shares it will receive for merging in Sunshine Television, Hicks, Muse, Tate & Furst will own slightly over 53% of LIN.—JM

CBS seeks new Jacksonville outlet

Viacom's (N:VIA) CBS announced 4/3 that it would end its affiliation with Post-Newsweek's (N:WPO) WJXT-TV (Ch. 4) Jacksonville, FL. The station's current affiliation agreement runs out this summer and renewal talks broke down over CBS demands to dramatically reduce network comp and other issues.

***TVBR* Observation**: There's speculation that CBS could bump sister-network UPN from Clear Channel's (N:CCU) WTEV-TV (Ch. 47). Meanwhile, WJXT management says it will go independent, leaving Gannett's (N:GCI) WTLV-TV (Ch. 12, NBC) as the only network-affiliated VHF in market #53. That means one of the seven national networks will end up with nowhere to go in Jacksonville, since the market has precisely seven full-power commercial stations—two Vs and five Us.—JM

NAB lobbies to keep the cap on

The US Court of Appeals for the District of Columbia's remanded the rule limiting the ownership of broadcast television stations to that which covers no more than an aggregate of 35% of the national audience. The National Association of Broadcasters and the Network Affiliated Stations Alliance want to keep the cap right where it is. NAB's **Eddie Fritts** and NASA's **Alan Frank** have fired off a joint letter to FCC Chairman **Michael Powell** explaining their position.

The key argument is that there was nothing in the Court's decision which said that the 35% cap was unconstitutional, illegal or in wrong in any way—what the court objected to and found lacking was the FCC's justification for the rule. For a number of reasons, the associations are urging the FCC to change its rationale, not change the rule.

At issue is the fear that affiliated stations will lose bargaining power if the big groups are allowed to grow even bigger. Proponents of the cap further argue that the cap helps promote diversity, localism and competition.

When the Court's opinion was released, Judge **Douglas H. Ginsburg** wrote, "We conclude that the Commission's decision to retain the rules was arbitrary and capricious and contrary to law...We therefore remand this case to the Commission for further consideration whether to repeal or to modify the NTSO rule."

Comments from FCC Commissioner Michael Copps regarding the recent extension of a waiver allowing Viacom (N:VIA) to retain television stations which place the company above the cap indicated that the Commission has not yet taken up its new review of the 35% cap.—DS

Television broadcasters attempt to get with EDI program

EDI was a major topic at the TVB Management Conference 3/26 in New York. (l-r) **Kathleen Keefe**, VP of Sales, Hearst-Argyle Television; **Maribeth Papug**, VP/Director of Local Broadcast, MediaVest; **Mark Beckwith** VP Commercial Operations, NBC TV Station Sales & Marketing; and **Kathy Crawford**, EVP/Director of Local Broadcast, Initiative Media North America.

EDI is Electronic Data Invoicing, right? Wrong! It is Electronic Data Interchange. Why is that important to understand? Invoicing is only part of the problem. If all goes well in the EDI world, orders will only have to be keyed in once, then flow through the system. Discrepancies should be dealt with quickly. Payments to stations should arrive faster. In short, the entire buying process would be less stressful and time consuming for buyers, sellers and accounts payable/receivable personnel.

What is the hold up on implementation?

The delays in implementing EDI are typical of any basic change in the way business is done. People hate change. On the equipment side, the manufacturers don't want to lose what they think might be their unique selling position. Some say "Yes, yes, we are all for EDI," but they have not yet updated their systems or even begun doing beta tests.

"Why should we spend more money for something that works now?"

Well, yes, what the TV industry is doing now does work—but so would placing orders by Pony Express. Here's a look at why EDI makes economic sense for stations.

1) Efficiency

Data input is done one time not the typical 5. "You save a couple of hours of time per person" stated **Kathleen Keefe**, VP of Sales at Hearst-Argyle (N:HTV) at the recent TVB conference in New York.

2) Cash Flow Management

An agency will not pay a partial bill if there are discrepancies so that has your cash flow tied up until the problem is corrected. **Kathy Crawford**, of Initiative Media stated that you should get paid faster, since "you get rid of he said she said" disputes. "In a perfect world we will be transmitting information every day. Clean it up online and send a check at the end of the month. Posting ultimately will be daily," stated Crawford.

3) Competition

Cable already has its act together on EDI. Keefe stated that the lack of EDI is "costing TV a lot of money because it [the current paper-dependent system] is cumbersome." Her concern is that buyers will begin to "plan away from the medium".

If all goes as TVB and others hope, EDI will become a reality for TV stations by mid-year. But much still has to happen.—KL

By Carl Marcu

DTV deadline delay issues

Filing more than 860 extension requests since a 2/18 window opened, nearly two-thirds of medium and small market US TV stations say they will not be able to meet the next FCC DTV transition deadline of May 1 (TVBR.com 3/25). And the Commission is giving thumbs up to most of them—on 4/2 alone, 90 extensions were granted. However, while many say they will probably be close on the deadline (some filings are only a safeguard), several midsize groups have reportedly indicated they may not be able to offer DTV simulcasts at all of their stations—even by the 13-month extension period. The Commission has since sent letters of inquiry to many of these stations requesting additional explanation.

Sen. **John McCain** (R-AZ), because of the multitude of late transitions, protested 3/22 on the Senate floor that broadcasters have "dawdled" on delivering DTV. He went on to say that Congress should impose fees on the industry for "squatting" beyond the 2006 target date for returning UHF spectrum for new wireless licensees. Certainly, that deadline isn't likely to be met as well.

Why the delays? A number of reasons—financial, all the way down to too many requirements placed on tower crews, transmitter installers manufacturers at this late stage of the cycle. It's not like DTV signals are a pay or subscription service. There's just no revenue stream attached to it.

Axcera's easily upgradable DT Gateway and DT Value (DT830A)

"The problem that we see is with smaller guys that don't have the capital and they really haven't found any revenue streams to justify their spending money in digital television," **James Jun**, Director of Marketing, Ktech Telecommunications tells *TVBR*. "They're really strapped for cash, especially after 9/11. They don't have that $200-$500K [or a LOT more] to just shell out of nowhere to support converting all of their equipment. Just because they broadcast digital doesn't mean they get more advertising dollars. It absolutely makes no economic sense for them. I've heard some quotes, and it may be an extreme case, where one of the small station owners said, 'I'm going to turn in my FCC license.' That kind of shows what people are thinking."

The Harris Ranger

Jun says the DTV transition has been happening a lot slower than people had initially thought and there's a mentality in the industry that the FCC is not really serious about cracking down on their mandate. "That's some feedback I've gotten from other station owners. They have no money, or at least not $200K to shell out. I think that people would rather pay 5-10% of that as a fine and delay it as long as they can. The economic slowdown has really hit at a bad time for this industry."

Many of the extension requests presented to the FCC have been financial waivers asking for more time to implement. "Part of it is not being able to get a return on investment. That, in large part is what's driving a lot of stations to ask for extensions and delay. The other considerations are logistical, available tower space and floor space for transmitters," adds **Rich Schwartz**, Marketing Manager, Axcera (formerly ADC).

Howard McClure, VP/North American Operations, Itelco USA also finds local permitting issue delays: "A lot of them have to do with local legal and logistics problems. Local regulations and being able to get permits done in time to build a new tower. Another one is logistical problems working out their financials. Actually, they've had transmitters on order, and now they have an opportunity to delay them a month or two bit because there's such a crunch of things happening all at the same time. Everybody waited until the last minute, and they can't get it done in time."

Consumers also slow to adopt

The industry realizes that many consumers will first convert to DTV by purchasing a DTV set top box receiver and using their existing analog TV screen. In fact, According to a study by SRI Consulting, most of the 12M consumers worldwide who will watch DTV in the next ten years will opt to use a digital set-top converter box rather than purchase a DTV set to receive digital programming. People are buying HDTV sets, but these sets are typically just monitors without a DTV receiver built in—the DTV set top box is sold separately. Many consumers buy HDTV sets to use with the digital cable set top box, a DBS dish or the input from a DVD player. Schwartz laments: "Low-cost set-top boxes allow consumers to convert their analog set to digital. However, they're still running at $350-$500 and not widely available. I think public education is the thing that is holding DTV back right now. I think if the public was better educated on it, you would see more of a tendency toward it."

"It's always the chicken and egg problem," Jun observes. "Is it the TV stations that have to transmit digital signals first or is it the consumers that have to buy the set top boxes? I believe it is the TV stations."

Another issue: whether or not cable will carry DTV signals. As it stands now, cable MSOs aren't required to carry a DTV signal. It's ironic that the least likely adopters of DTV are those who currently use tin foil and rabbit ears for reception, yet DTV is first being offered over the airwaves and not on cable. Not only are non-cable and non-satellite DBS viewers unlikely to run out and pay for a DTV set top box, but also a good DTV antenna (most people will need one for reception). Cable should have been the medium to debut DTV to the consumer. So far, there are some voluntary HDTV offerings on a few cable and DBS channels/services.

LPDTV?

Since the FCC modified its DTV Transi tion Rules (Order 01-330) on 11/8/01 Ktech's business has been soaring, espe cially with its XMT-100 100 watt DTV transmitter (Ktech specializes in low-powe DTV transmitters and equipment). Th new rule allows broadcasters to debu with lower powered DTV systems to mee the May deadline. It did help somewhat and in addition, instead of transmittin with 100-Kw vs. the absolute minimum o several hundred watts, broadcasters ca save easily $100K over two years.

"Our strategy, and what we're tellin our customers is that nobody has digita set-top boxes—they're not going to b around for a while. It would be a waste o money to start with a full digital powe transmission. 'Just go ahead and spend th minimum, because our transmitters ar upgradable to higher power'," says Jun.

Schwartz adds: "Since the FCC decision there has been a push toward the lower power units. We're probably seeing half g high power and half go low-power."

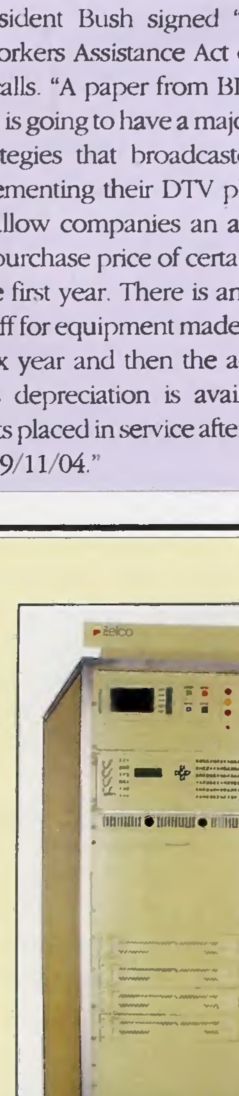
McClure finds at Itelco, the bulk of hi low power transmitter orders actuall were placed before the November modi fications. "We had already had a lot o inquiry from people who were plannin to start off with a low power applicatio or who were going to modify. Most o them decided they couldn't afford to pay the price for a full transmitter at this tim and they felt they had to kind of roll th dice and take their chances," he tell *TVBR*. "Of course, when the FCC change the rules, everybody said, 'Great,' an breathed a sigh of relief."

Another factor helping broadcasters mak the transition was a new depreciation bil offered by President **George W. Bush**. "It' interesting. The government changed som rules and the playing field again in recen weeks. President Bush signed 'The Jo Creation Workers Assistance Act of 2002,' Glidden recalls. "A paper from BIA Finan cial says this is going to have a major impac on the strategies that broadcasters have when implementing their DTV plant. The new rules allow companies an additiona 30% of the purchase price of certain capita assets in the first year. There is an acceler ated write-off for equipment made active i the 2001 tax year and then the additiona 30% bonus depreciation is available fo certain assets placed in service after 9/10/01 and before 9/11/04."

Equipment: the bare minimum

What equipment do stations need to buy just to meet the bare minimum, and just how much will that cost? Certainly, the encoder, transmitter, antenna, construction and installations. "The transmitter all depends on what kind of power they want to put up. If they wanted to start at the absolute minimum, it would be around $80-100K," says Jun. "However, it's really not practical for people outside of say 20 miles of the range to receive the signals."

Almost everyone going with low power transmitters for now wants something that's upgradable. "We've been advising people that if they want to start off small, that's fine—1-kW, 2-kW. Because they stay in the solid state transmitter like, that's expandable in any kind of increment that they want. But the big problem is those who want to eventually end up with a higher power transmitter, we say, 'If you're going to be putting money out here where you're not going to be able to recover all of it if you have to go to an IOT [tube] type transmitter. We start using them at 20-kW and go up. Solid state transmitters are upgradable up to about 10-kW. Above 10-kW, solid state gets very expensive," says McClure.



Itelco's T633WV 2-kw transmitter

Itelco's 1-kW offering is the T613WV. The company offers upgrades in 500-kW increments. It's 3-kW DTV transmitter is the T653WV.

Dave Glidden, Director of TV Transmission products, Harris Broadcast Communications, says business is continuing at a reasonably high mix of traditional power levels of products, which all along has been a mix of maximized transmitters as well as upgradable systems. However, "In anticipation of coming to this stage of the market, we did introduce in the last few months a product line of 500 and 1,000 watt transmitters that are certainly being well-received by a very cost-sensitive segment of the market," he says. "The Ranger is the product family. It is designed around power amplifiers, power supplies and the exciter that can be moved into more powerful products down the road."

Glidden explains the minimum to get up and running from Harris is the cost of an encoder, heliax cable to a small antenna on an STL tower; a single rack transmitter: around $100K. "A good well-engineered system might be as high as $130-$140K with a minimal amount of test equipment with it."

DTV from an STL tower? "Depending on where customers are putting the antenna and what their strategy is, they could go on with a relatively low gain antenna—just a couple of panels at very low cost, or they could put in a full-scale antenna. The cost difference might be in the range of as low as $5K and as high as $200K. What we're finding is some customers are able to put these very low profile panel antennas on their STL towers at the studio," Glidden explains. "They have to cover the city of license and their studio in many cases is more central to their city of license than maybe the transmission plant." The full monty for a full-power Harris system would be $500K to $1M.

Axcera, which manufactures TV transmitters, can also supply turnkey packages including encoders, antennas, transmission line, etc. The company's DT800 Series offers power levels from 5 watts to 5-Kw. Says Schwartz: "We have products that range from low-power units that are designed to be low cost, get you on the air, plug-and-play kind of things to high-power transmitters and upgradable transmitters."

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Gray buys Benedek for $500M

Gray Communications Systems (N:GCS) has a deal to buy Benedek Broadcasting Corp. for a half-billion dollars—a letter of intent announced 4/2, just days after Benedek filed for Chapter 11 bankruptcy reorganization (*RBR/TVBR* 4/1, p. 7). The deal will have Gray buy all of the stock of Benedek's holding company for $500M in cash, plus proceeds from a pending $18.5M sale of Benedek's Wheeling, WV station to West Virginia Media.

Gray Communications Systems VP/Acquisitions **Bob Prather** said his company's deal to buy Benedek Broadcasting for about 10.5 times cash flow is an attractive price and shows that TV valuations have come down from the high levels seen a few years ago. "At certain values we're a buyer, at certain values we're a seller," Prather said when asked in a Wall Street conference whether Gray was still interested in the possibility of selling itself to a larger media company. For now, at current multiples, Gray is clearly in a buying mood. Prather said Gray had been negotiating this deal with Benedek for months, long before Benedek sought Chapter 11 bankruptcy protection from creditors last month.

The deal to buy Benedek, which needs FCC and bankruptcy court approval, is to be all cash. However, Prather said Gray would be open to the idea of paying some of Benedek's bondholders in Gray stock, if they prefer that course for tax reasons. In either case, bondholders are to receive 100% of their principal, plus accrued interest.

Benedek President and COO **Jim Yager** will be joining Gray, post-closing, as President of a new subsidiary which, in the beginning, will consist of the former Benedek stations. Chairman and CEO **Richard Benedek** hasn't announced his plans, but Yager noted, "Richard is an entrepreneur," in response to a question from *TVBR*. Also undecided is the future role, if any, of his son, VP **Stephen Benedek**.

Benedek operates 22 television stations, which produced 2001 net revenues of approximately $138.1M and broadcasting cash flow of approximately $47.5M (excluding Wheeling). Gray reported total net revenue of $156.3M in 2001 and media cash flow of approximately $53.1M, including $40.8M from the television station division. In addition to its television station division, Gray operates four local daily newspapers located in Georgia and Indiana.

The combined station group will comprise a total of 35 stations with 20 CBS affiliates, seven NBC affiliates, 7 ABC affiliates and 1 FOX affiliate. The companies say that combined group will have 24 stations ranked #1 in viewing audience within their respective markets. The merged company will reach in excess of 6% of total U.S. TV households.

Based on 2001 results, the combined Gray and Benedek television stations produced approximately $244.5M of revenue and $88.3M of broadcast cash flow. Including Gray's publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately $294.4M of revenue and $100.6M of media cash flow.

In addition to the divestiture of Benedek's Wheeling station, there are hints that some other properties may be sold off which don't fit well with Gray's vision of its future operations. One mentioned in particular in the conference call was a station in Casper, WY, which is said to be the only Benedek station operating in negative cash flow.

***TVBR* observation**: Multiples may not be sky high anymore, but 10.5 times is still not a bargain basement deal. Gray knows it is getting good properties and it's paying a decent price for the future growth. The VC speculators who are out trying to find deals at single-digit multiples should take note—and get real.—JM

Benedek Broadcasting Corp.

Market	Rank	Station	Network
Wichita	65	KAKE	ABC
Omaha	75	WOWT	NBC
Madison	84	WMTV	NBC
Colorado Spgs	92	KKTV	CBS
Youngstown	98	WYTV	ABC
Lansing	111	WILX	NBC
Peoria	116	WHOI	ABC
Duluth	132	KDLH	CBS
Rockford	135	WIFR	CBS
Wausau, WI	137	WSAW	CBS
Topeka, KS	138	WIBW	CBS
Columbia, MO	139	KMIZ	ABC
Wichita Falls	141	KAUZ	CBS
Wheeling*	150	WTRF	CBS
Quincy, IL	160	KHQA	CBS
Dothan, AL	172	WTVY	CBS
Harrisonburg	178	WHSV	ABC
Bowling Grn	181	WBKO	ABC
Meridian, MS	185	WTOK	ABC
Parkersburg	186	WTAP	NBC
Cheyenne, WY	197	KGWN	CBS
Casper, WY	200	KGWC	CBS

*sale pending
Source: Benedek Broadcasting Corp.

NAB KO's EchoStar two dish strategy

Satellite TV provider EchoStar (O:DISH) will not be allowed to come into comliance with the FCC's requirement for full local television carriage by providing customers with a second reception dish.

The move is a major victory for the National Association of Broadcasters, which had requested an emergency running to block the practice.

The FCC found that the plan discriminated against consumers who were unaware of the plan, and put them at cost, if not monetarily, in the form of time and trouble to get the second dish installed.

Further, the practice would discriminate against local television stations relegated to the second dish.

The FCC has ordered EchoStar to move all local stations onto a satellite receivable by one dish, or to locate the entire local lineup on the second dish. Further, if a second dish is to be used, its installation must be automatic for all subscribing to local-to-local service.—DS

Clock not even started on Viacom TV cap waiver

The FCC is allowing Viacom (N:VIA) 12 months to come into compliance with its national broadcast television ownership cap. Although the waiver is in effect now (indeed, it is an extension of one which technically expired 5/4/01), the clock starts ticking on the 12 month period only when the FCC issues new rules on television ownership.

The rulemaking process, which will determine whether the Commission will retain or change the cap, currently set at 35% of the total national television audience, has not yet begun.

The FCC had opted to retain the cap, which was set following enactment of the 1996 Telecommunications Act. Before that, it had been at 25%, based on a 1984 rulemaking.

Because of a court decision, The commission either has to better justify the existing cap or change it.

The Viacom waiver was necessary because its acquisition of CBS put its total audience at 41%, 6% above the limit. Waivers in such transactions are routinely granted to allow the orderly divestiture of properties until the acquiring company is able to bring itself back into compliance with FCC regulations.

What is unique about this situation is the FCC's acknowledgement of the fluidity of the situation. The Commission wrote, "...we believe it is appropriate to grant Viacom a period of time to come into compliance following the Commission's reexamination of the national ownership rules on remand."—DS

Washington Beat

Sinclair finds court eight-voice decision appealing

The US Court of Appeals has held that the FCC rules limiting duopoly ownership of television stations in local markets to be "arbitrary and capricious." They have been remanded back to the Commission for further consideration.

"Arbitrary and capricious" is the exact same language used by the Court when it recently remanded the national 35% audience cap rule back to the FCC, also for further consideration (RBR.com, 2/19).

The Court did not say that a cap of any kind was unconstitutional. Nor did it strike down the current rule. It wants the FCC to do a better job of justifying the "eight voices" rule, or replace it with one that it can satisfactorily justify.

"The Court's decision validates what we have been saying all along," said Sinclair Broadcast Group President CEO/**David Smith**, "that the rules governing television ownership are outdated, without basis and anti-competitive in today's media environment." Sinclair was the company which challenged the rule.

The court said that the FCC's review of television ownership rules could include adjustments to the definition of the term "media voices," as well as to the numerical parameters currently in use.

Smith went on, "We are pleased that the court found the rules arbitrary. We are evaluating our options and are hopeful that the FCC and courts will respond in a manner that will allow over-the-air television to remain competitive with other forms of media."

***TVBR* observation**: Although the Court did not strike down the rule, we wonder if anything can be surmised by its choice of language. It did not say to the FCC, "We find the justification for these temperate and reasonable regulations to be in need of some minor tweaking." It called the rules "arbitrary and capricious." It seems to us that the FCC will have a difficult time explaining its way into keeping them in anything close to their present form.—DS